

**MARQUETTE AREA PUBLIC SCHOOLS  
MARQUETTE, MICHIGAN  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools, as of and for the year ended June 30, 2006, which collectively comprise the Marquette Area Public Schools basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marquette Area Public Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Marquette Area Public Schools as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006 on our consideration of the Marquette Area Public Schools internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Marquette Area Public Schools

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette Area Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Marquette Area Public Schools. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

August 18, 2006

## **Marquette Area Public Schools Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of Marquette Area Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- Net assets for Marquette Area Public Schools as a whole were reported at \$8,814,183, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were \$30,045,639, while revenues from all sources totaled \$30,883,100, resulting in an increase in net assets of \$837,461.
- There were no significant changes in programs for the 2005-2006 fiscal year. With declining enrollment and uncertain State funding, the School District remained essentially status quo.
- The general fund reported an increase of \$314,382 before other financing sources (uses). This is \$651,908 higher than the forecasted decrease of \$337,526. This was a result of revenues being \$154,088 higher and expenses being \$497,820 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$28,279,121 and budgeted expenditures/transfers of \$28,954,173. There were no significant variances between the final budget and actual amounts.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marquette Area Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Marquette Area Public Schools as a whole begins on page 8. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether

## **Management's Discussion and Analysis (Unaudited) (Continued)**

its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – *Fund Financial Statements***

Our analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the School District charges customers for the services it provides – whether to outside customers or to other units of the School District – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use an internal service fund (the only component of the School District's proprietary funds) to report activities that provide services for the School District's other programs and activities – such as financing of early retirement incentive and unused sick leave reimbursement plan payments.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## Management's Discussion and Analysis (Unaudited) (Continued)

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006 and 2005:

**Table 1**  
**Net Assets**

	Governmental Activities	
	2006	2005
Current and other assets	\$13,522,889	\$13,486,965
Other noncurrent assets	86,360	93,003
Capital assets, net	10,008,644	10,299,007
<b>Total Assets</b>	<b>23,617,893</b>	<b>23,878,975</b>
Current liabilities	4,541,372	4,605,898
Long-term liabilities	10,262,418	11,296,355
<b>Total Liabilities</b>	<b>14,803,790</b>	<b>15,902,253</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	517,569	56,279
Restricted	246,829	183,784
Unrestricted	8,049,785	7,736,659
<b>Total Net Assets</b>	<b>\$8,814,183</b>	<b>\$7,976,722</b>

The School District's net assets were \$8,814,183 at June 30, 2006. Capital assets, net of related debt totaling \$517,569 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$8,049,785 was unrestricted.

The \$8,049,785 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006.

**Table 2**  
**Change in Net Assets**

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
Program revenues:		
Charges for services	\$1,052,204	\$1,074,012
Operating grants and contributions	4,762,005	4,471,649
General revenues:		
Property taxes	8,095,493	7,773,350
State sources not restricted to specific program	16,447,765	16,506,772
Investment earnings	470,706	238,401
Miscellaneous	54,927	106,999
<b>Total Revenues</b>	<b>30,883,100</b>	<b>30,171,183</b>



## Management's Discussion and Analysis (Continued)

	Governmental Activities	
	2006	2005
Program Expenses:		
Instruction	\$17,093,340	\$16,949,213
Supporting services	10,293,112	9,946,507
Community services	149,139	113,726
Food service activities	817,424	807,608
Athletic activities	540,832	488,457
Interest on retirement of debt	374,756	377,751
Other	15,522	271,454
Depreciation - unallocated	761,514	856,064
Total Expenses	30,045,639	29,810,780
Increase (decrease) in net assets	837,461	360,403
Net assets, beginning	7,976,722	7,616,319
Net Assets, Ending	\$8,814,183	\$7,976,722

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$30,045,639. Certain activities were partially funded from those who benefited from the programs \$1,052,204 or by other governments and organizations that subsidized certain programs with grants and categoricals \$4,762,005. We paid for the remaining "public benefit" portion of our governmental activities with \$8,095,493 in taxes, \$16,447,765 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$837,461.

Key reasons for the change in net assets were as follows:

- Net increase in governmental fund balances of \$135,344.
- Depreciation charged to expense of \$761,514.
- Lease Expense \$60,802.
- Purchase of capital assets in the amount of \$471,151.
- Proceeds from Debt Issue \$134,149.
- Net increase due to pay down of principal through the use of debt fund balance of \$853,484.
- Accrued interest on long-term debt included in expense \$2,751.
- Other miscellaneous transactions of \$209,592.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$17,093,340	\$16,949,213	\$12,474,610	\$12,601,335
Supporting services	10,293,112	9,946,507	10,274,686	9,920,266
Community services	149,139	113,726	87,797	50,157
Food service activities	817,424	807,608	(20,945)	(25,826)
Athletic activities	540,832	488,457	263,490	213,918

## Management's Discussion and Analysis (Unaudited) (Continued)

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$9,964,332, an increase of \$135,344 from the beginning of the year. This included a \$5,450 increase in the General Fund fund balance, and an increase of \$129,894 in other funds fund balance.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$878,596. The largest increases include additional interest income, additional foundation, allowance due to student enrollment, increased pass through funding from MARESA, and prior year adjustments from the State of Michigan.
- Budget expenditures were decreased by \$278,128 to reflect contract settlements and changes in healthcare throughout the year.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2006 and 2005, the School District had \$10,008,644 and \$10,299,007, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below):

**Table 4**  
**Capital Assets at Year-End**  
**(net of depreciation)**

	Governmental Activities	
	2006	2005
Land	\$822,392	\$822,392
Site improvements	367,169	404,805
Buildings	7,742,710	7,749,659
Equipment	657,994	945,223
Vehicles and buses	418,379	376,928
Totals	<u>\$10,008,644</u>	<u>\$10,299,007</u>

This year's additions of \$584,391 included vehicles, cafeteria equipment, technology, building renovations, and buses. Additional debt was issued for some of these additions.

## Management's Discussion and Analysis (Unaudited) (Continued)

We anticipate capital additions for the 2006-2007 fiscal year will be comparable to the 2005-2006 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At June 30, 2006 and 2005, the School District had \$9,838,538 and \$10,618,675, respectfully, in bonds outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2006	2005
Installment loan	\$246,075	\$172,728
General obligation bonds	9,245,000	10,070,000
School improvement bonds	347,463	375,947
Totals	<u>\$9,838,538</u>	<u>\$10,618,675</u>

We present more detailed information about our long-term debt in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2006 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2007 fiscal year budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. Approximately 75 percent to 80 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2006-2007 school year, we anticipate that the fall student count will be up nearly 100 students from the estimates used in creating the 2007 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are different from original appropriations.

During the 2006-2007 fiscal year, the School District expects to settle a labor contract with the Marquette Area Education Association (MAEA). The cumulative effect of a one-year settlement is estimated by the School District to be less than \$500,000.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marquette Area Public Schools Central Administration, 1201 West Fair Ave. Marquette, Michigan, 49855.

**Marquette Area Public Schools**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 5,421,394
Investments	4,062,311
Receivables:	
Accounts receivable	22,800
Delinquent property taxes	33,539
Due from others	3,977,437
Inventories	5,408
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	13,522,889
	<hr/>
<b>Noncurrent assets:</b>	
Unamortized bond issue costs	86,360
Capital assets	26,387,489
Less accumulated depreciation	(16,378,845)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	10,095,004
	<hr/>
<b>TOTAL ASSETS</b>	23,617,893
	<hr/>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	219,262
Accrued payroll and other liabilities	2,624,902
Due to others	238,177
Deferred revenue	58,954
Current portion of employee benefit obligations	436,752
Current portion of long term debt obligations	926,686
Other current liabilities	36,639
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	4,541,372
	<hr/>
<b>Noncurrent liabilities:</b>	
Noncurrent portion of employee benefit obligations	1,418,562
Noncurrent portion of long term debt obligations	8,911,852
Less deferred discount on refunding bonds	(67,996)
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	10,262,418
	<hr/>
<b>TOTAL LIABILITIES</b>	14,803,790
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	517,569
Restricted:	
Debt Service	246,829
Unrestricted	8,049,785
	<hr/>
<b>TOTAL NET ASSETS</b>	\$ 8,814,183
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See Notes to Financial Statements.

**Marquette Area Public Schools  
Statement of Activities  
For the Year Ended June 30, 2006**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 17,093,340	\$ 235,229	\$ 4,383,501	\$ (12,474,610)
Supporting services	10,293,112		18,426	(10,274,686)
Community services	149,139	61,342		(87,797)
Food service activities	817,424	478,291	360,078	20,945
Athletic activities	540,832	277,342		(263,490)
Other	15,522			(15,522)
Interest on retirement of debt	374,756			(374,756)
Depreciation- unallocated	761,514			(761,514)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>30,045,639</b>	<b>1,052,204</b>	<b>4,762,005</b>	<b>(24,231,430)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				6,840,520
Property taxes, levied for debt services				1,254,973
State aid not restricted to specific purposes				
General				16,447,765
Interest and investment earnings				470,706
Miscellaneous				54,927
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>25,068,891</b>
			<b>CHANGES IN NET ASSETS</b>	<b>837,461</b>
Net Assets , July 1				7,976,722
			<b>NET ASSETS, JUNE 30</b>	<b>\$ 8,814,183</b>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Governmental Funds  
Balance Sheet  
June 30, 2006**

	General Fund	Athletic Fund	Other Nonmajor Governmental Funds	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 5,008,747	\$ 38,898	\$ 373,749	\$ 5,421,394
Investments	2,737,657	-	887,829	3,625,486
Receivables:				
Accounts receivable	14,348	5,251	3,200	22,799
Delinquent property taxes	33,539	-	-	33,539
Due from others	3,927,624	-	49,813	3,977,437
Due from other funds	153	-	5,654	5,807
Inventories	-	-	5,408	5,408
<b>TOTAL ASSETS</b>	<b>\$ 11,722,068</b>	<b>\$ 44,149</b>	<b>\$ 1,325,653</b>	<b>\$ 13,091,870</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 212,152	\$ 3,301	\$ 3,809	\$ 219,262
Accrued liabilities	2,557,262	5,293	6,298	2,568,853
Due to others	223,590	-	14,587	238,177
Due to other funds	5,653	-	-	5,653
Deferred revenue	58,954	-	-	58,954
Other liabilities	1,084	35,555	-	36,639
<b>TOTAL LIABILITIES</b>	<b>3,058,695</b>	<b>44,149</b>	<b>24,694</b>	<b>3,127,538</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Capital projects			891,598	891,598
Retirement of debt			246,829	246,829
School lunch			162,532	162,532
Unreserved:				
Designated for contingencies	3,000,000	-		3,000,000
Undesignated	5,663,373	-		5,663,373
<b>TOTAL FUND BALANCES</b>	<b>8,663,373</b>	<b>-</b>	<b>1,300,959</b>	<b>9,964,332</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,722,068</b>	<b>\$ 44,149</b>	<b>\$ 1,325,653</b>	<b>\$ 13,091,870</b>

See Notes to Financial Statements.

**Marquette Area Public Schools**  
**Governmental Funds**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>9,964,332</b>
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	Cost of capital assets	26,387,489	
	Accumulated depreciation	<u>(16,378,845)</u>	10,008,644

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.		86,360
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An internal service fund is used by the District to charge the cost of employee benefits to the General Fund. The net assets of the internal service fund is included in the governmental activities in the statement of net assets.

-

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds & Loans payable	9,838,538	
Accrued interest on bonds	56,049	
Employee benefits payable (other than those reported in internal service fund)	1,418,562	
Deferred discount on refunding bonds	<u>(67,996)</u>	<u>(11,245,153)</u>

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>8,814,183</u></b>
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See Notes to Financial Statements.

**Marquette Area Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2006**

	General Fund	Athletic Fund	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Taxes and penalties	\$ 6,840,520	\$ -	\$ 1,254,973	\$ 8,095,493
Federal sources	853,565	-	318,469	1,172,034
State aid	18,441,486	-	41,609	18,483,095
Local sources	433,451	-	-	433,451
Interest	405,664	-	65,042	470,706
Intermediate sources	1,458,523	-	-	1,458,523
Other	-	277,342	492,456	769,798
<b>TOTAL REVENUES</b>	<b>28,433,209</b>	<b>277,342</b>	<b>2,172,549</b>	<b>30,883,100</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	17,205,846	-		17,205,846
Supporting services	10,385,931	-		10,385,931
Community services	149,139	-		149,139
Food service activities			843,550	843,550
Athletic activities		553,074	-	553,074
Debt Service:				
Principal			853,484	853,484
Interest			365,634	365,634
Other	377,911	-	13,187	391,098
<b>TOTAL EXPENDITURES</b>	<b>28,118,827</b>	<b>553,074</b>	<b>2,075,855</b>	<b>30,747,756</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>314,382</b>	<b>(275,732)</b>	<b>96,694</b>	<b>135,344</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in			33,200	33,200
Operating transfers out	(308,932)	275,732		(33,200)
Proceeds from sale of bonds				-
Payments to escrow agent to purchase bonds				-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(308,932)</b>	<b>275,732</b>	<b>33,200</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,450</b>	<b>-</b>	<b>129,894</b>	<b>135,344</b>
Fund Balance, July 1	8,657,923	-	1,171,065	9,828,988
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 8,663,373</b>	<b>\$ -</b>	<b>\$ 1,300,959</b>	<b>\$ 9,964,332</b>

See Notes to Financial Statements.



**Marquette Area Public Schools**  
**Governmental Funds**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>135,344</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Depreciation expense	761,514	
	Lease expense	(60,802)	
Capital outlays, net of retirements		(471,151)	(229,561)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.		(134,149)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		853,484
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Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities.		(11,873)
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Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.		2,751
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Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		221,465
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>837,461</b>
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See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Net Assets  
June 30, 2005**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Investments	\$ 436,825
Due from other funds	-
<b>TOTAL ASSETS</b>	<u>\$ 436,825</u>
 <b>LIABILITIES:</b>	
<b>Noncurrent Liabilities:</b>	
Due to other funds	\$ 73
Employee benefits payable	436,752
<b>TOTAL LIABILITIES</b>	<u>\$ 436,825</u>
 <b>NET ASSETS:</b>	
Unrestricted	-
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2006**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>OPERATING REVENUES:</b>	
Other revenue for services	\$ 176,488
<b>TOTAL OPERATING REVENUES</b>	<u>176,488</u>
<b>OPERATING EXPENSES:</b>	
<b>Employee Benefits:</b>	
Terminal leave	177,618
Incentive pay	13,588
FICA	-
Other	-
<b>TOTAL OPERATING EXPENSES</b>	<u>191,206</u>
<b>OPERATING INCOME (LOSS)</b>	(14,718)
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	14,718
Operating transfers in	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>14,718</u>
<b>CHANGE IN NET ASSETS</b>	-
Net Assets, July 1	<u>-</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2006**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (14,718)
Changes in Assets and Liabilities:	
Increase (decrease) in liabilities:	
Employee benefits payable:	
Obligations incurred	191,206
Payments made	(514,018)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(337,530)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating transfers in	-
<b>NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Redemption of investments - net	-
Interest income	14,718
<b>NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>14,718</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(322,812)
 Cash and cash equivalents, July 1	<u>759,637</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 436,825</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2006**

	Private-Purpose Trust	Student Activity Agency Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and equivalents	\$ 86,280	\$ 318,971
Investments - certificates of deposit	199,254	-
Accounts receivable	<u>7,280</u>	<u>484.00</u>
<b>TOTAL ASSETS</b>	<u>292,814</u>	<u>\$ 319,455</u>
<b>LIABILITIES:</b>		
Accounts payable	(100)	\$ 3,303
Due to other funds	-	80
Due to groups, organizations and activities	<u>-</u>	<u>316,072</u>
<b>TOTAL LIABILITIES</b>	<u>(100)</u>	<u>319,455</u>
<b>NET ASSETS:</b>		
Reserved for scholarships	<u>292,914</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 292,814</u>	<u>\$ 319,455</u>

See Notes to Financial Statements.

Marquette Area Public Schools  
Fiduciary Fund  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2005

	Private-Purpose Trust
<b>ADDITIONS:</b>	
Private sources contributions	\$ 102,600
Interest	4,232
Other sources	-
<b>TOTAL ADDITIONS</b>	<u>106,832</u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	<u>108,975</u>
<b>TOTAL DEDUCTIONS</b>	<u>108,975</u>
<b>CHANGE IN NET ASSETS</b>	(2,143)
Net assets, July 1	<u>295,057</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ 292,914</u></u>

See Notes to Financial Statements.

**MARQUETTE AREA PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE A - THE FINANCIAL REPORTING ENTITY:**

The Marquette Area Public School District covers an area of 123 square miles and serves a population of approximately 31,000. During fiscal 2005 public education was provided to over 4,000 students in grades Kindergarten through 12. The educational sites include four elementary schools, two middle schools, and one high school.

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Marquette Area Public Schools, Marquette County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Marquette Area Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

considered a major fund and the remaining funds of the School District are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Marquette Area Public Schools are the Food Service and Athletics funds.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Fund** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Proprietary Funds

**Internal Service Fund** - Internal Service funds are used in significant part for financing of early retirement incentive and unused sick leave reimbursement plan payments

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:



## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

### Investments

Investments are carried at market value.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

### **Long-Term Debt**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

### **Compensated Absences**

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

### **Deferred Revenues**

In the district-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$58,954 in the General Fund for grant funding that has been received but is unearned.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

## **OTHER SIGNIFICANT ACCOUNTING POLICIES**

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE C – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2006, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$5,421,394	\$604,505	\$6,025,899
Investments	4,062,311	-	4,062,311
	<u>\$9,483,705</u>	<u>\$604,505</u>	<u>\$10,088,210</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$6,349,832 of the District's bank balance of \$6,466,946 was exposed to custodial credit risk as being uninsured and uncollateralized.

### Investments

As of June 30, 2006, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – Mutual Bonds	<u>\$4,062,311</u>	<u>\$4,062,311</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

## NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$3,440,074 due from the State of Michigan for State Aid, and \$537,363 due from other governmental units for the operation of special programs and grant projects.

## NOTE E – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Marquette Area Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	Receivable		Payable
General Fund	\$153	Internal Service Fund	\$73
School Service Fund	1,885	Student Activity Fund	80
Capital Projects Fund	3,769	General Fund	5,654
Total	<u>\$5,807</u>	Total	<u>\$5,807</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of operating transfers to/from other funds during fiscal year 2006 is as follows:

	Operating Transfers In		Operating Transfers Out
Athletic Fund	\$275,732	General Fund	\$308,932
Capital Projects Fund	33,200		
	<u>\$308,932</u>		<u>\$308,932</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to Debt Service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2006 is as follows:

	Governmental Activities
Accrued wages	\$1,455,923
MESSA payable	763,694
Accrued fringes	349,236
Accrued interest	56,049
	<u>\$2,624,902</u>

## NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2006, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
School Improvement Bonds, Series 1998, due in annual installments of \$29,000 to \$54,000 through 2013 with interest of 8.00%. The only source of revenues for making the debt service payments on these bonds is an annual state appropriation.	\$375,947	\$-	\$28,484	\$347,463
Installment loan contract, due in annual installments of \$20,980 including interest at 3.92% through August 2008.	76,302	-	17,990	58,312
Installment loan contract due in annual installments of \$21,928 including interest at 12% through July 2009	96,426	-	17,647	78,779
Installment loan contract due in annual installments of \$25,165 including interest at 5.0% through July 2010	-	134,149	25,165	108,984
2003 Refunding Issue Serial Bonds, due in annual installments of \$500,000 to \$885,000 through 2020 with interest of 2.0% to 4.35%	10,070,000	-	825,000	9,245,000
Subtotal	10,618,675	134,149	914,286	9,838,538
Employee benefits – terminal leave	1,640,027	-	221,465	1,418,562
<b>TOTAL LONG-TERM DEBT</b>	<b>\$12,258,702</b>	<b>\$134,149</b>	<b>\$1,135,751</b>	<b>\$11,257,100</b>

### Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2006 (exclusive of employee benefits) are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$926,686	\$358,999	\$1,285,685
2008	950,650	336,142	1,286,792
2009	979,787	306,205	1,285,992
2010	943,133	275,326	1,218,459
2011	889,910	241,346	1,131,256
2012-2016	3,628,372	791,605	4,419,977
2017-2020	1,520,000	151,802	1,671,802
<b>TOTALS</b>	<b>\$9,838,538</b>	<b>\$2,461,425</b>	<b>\$12,299,963</b>

## NOTE H – LONG-TERM OBLIGATIONS:

### Employee Benefits

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

	Internal Service Fund	Other	Total Governmental Activities
Employee Severance Plan	\$55,285	\$-	\$55,285
Voluntary Severance Retirement Plan	381,467	1,418,562	\$1,800,029
	<u>\$436,752</u>	<u>\$1,418,562</u>	<u>\$1,855,314</u>

## NOTE I – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$822,392	\$-	\$-	\$822,392
Capital assets being depreciated:				
Site improvements	1,685,662	-	-	1,685,662
Buildings	18,579,678	375,576	-	18,955,254
Equipment	3,506,786	74,666	504,947	3,076,505
Vehicles and buses	1,713,527	134,149	-	1,847,676
Total Capital Assets	<u>26,308,045</u>	<u>584,391</u>	<u>504,947</u>	<u>26,387,489</u>
Capital assets being depreciated:				
Site improvements	1,280,857	37,636	-	1,318,493
Buildings	10,830,019	382,525	-	11,212,544
Equipment	2,561,563	248,655	391,707	2,418,511
Vehicles and buses	1,336,599	92,698	-	1,429,297
Total Accumulated Depreciation	<u>16,009,038</u>	<u>761,514</u>	<u>391,707</u>	<u>16,378,845</u>
Governmental Activities Capital Assets, Net	<u>\$10,299,007</u>	<u>\$(177,123)</u>	<u>\$113,240</u>	<u>\$10,008,644</u>

Depreciation expense was charged to unallocated activities in the amount of \$761,514.

## NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

General Fund – The School district designated \$3,000,000 which represents a contingency fund for future operational needs.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.



## **NOTE I – RESERVED AND DESIGNATED FUND EQUITY (Continued):**

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Project Fund – The resources of the Building & Site Fund are to be used for capital outlay projects. The fund equity is reserved for this purpose.

Expendable Trust Fund – The resources of the Expendable Trust Fund are to be used for the granting of scholarships and awards to qualified students.

## **NOTE J – STATE REVENUE:**

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 – August 2006.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## **NOTE K – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$45,455 during fiscal 2006 in revenues and expenditures for USDA commodities.

## **NOTE L – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2005 totaled \$764,052,294 (\$385,061,796 designated as Homestead and \$378,990,498 designated as Non-Homestead). The total tax levy consists of 18 mills for the General Fund and 1.8 mills for debt retirement.

## **NOTE M – EMPLOYEE RETIREMENT SYSTEM– DEFINED BENEFIT PLAN:**

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

## **NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$3,056,462 which consisted of \$2,572,942 from the School District and \$483,520 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The School District's contributions to MPSERS for 2005 was \$2,827,332 and for 2004 was \$2,530,235.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$14,913,428. The School District's total payroll was approximately \$16,150,945.

### Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

## **NOTE N – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

## **NOTE N – CONTINGENT LIABILITIES (Continued):**

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

## **NOTE O – ECONOMIC DEPENDENCY:**

The School District received approximately 64 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Marquette Area Public Schools  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 7,232,008	\$ 7,627,371	\$ 7,679,635	\$ 395,363	\$ 52,264
State sources	18,022,928	18,443,284	18,441,486	420,356	(1,798)
Federal sources	1,048,677	851,395	853,565	(197,282)	2,170
Other governmental units	1,096,912	1,357,071	1,458,523	260,159	101,452
<b>TOTAL REVENUES</b>	<b>27,400,525</b>	<b>28,279,121</b>	<b>28,433,209</b>	<b>878,596</b>	<b>154,088</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Programs	13,743,474	13,415,216	13,120,243	328,258	294,973
Added Needs	4,129,981	4,084,331	4,077,671	45,650	6,660
Adult/Continuing education	10,270	7,972	7,932	2,298	40
<b>Total Instruction</b>	<b>17,883,725</b>	<b>17,507,519</b>	<b>17,205,846</b>	<b>376,206</b>	<b>301,673</b>
<b>Supporting Services:</b>					
Pupil services	2,170,713	2,188,856	2,161,061	(18,143)	27,795
Instructional staff	755,701	766,030	753,012	(10,329)	13,018
General administration	636,587	590,238	555,137	46,349	35,101
School administration	1,507,735	1,559,002	1,557,034	(51,267)	1,968
Business services	290,864	300,455	292,769	(9,591)	7,686
Operation and maintenance	2,758,887	2,890,404	2,846,408	(131,517)	43,996
Pupil transportation	1,330,077	1,351,263	1,345,934	(21,186)	5,329
Central staff	918,297	798,273	770,149	120,024	28,124
Other	122,419	108,778	104,427	13,641	4,351
<b>Total Supporting services</b>	<b>10,491,280</b>	<b>10,553,299</b>	<b>10,385,931</b>	<b>(62,019)</b>	<b>167,368</b>
<b>Community Services</b>					
Recreation/Community Activities	138,270	174,329	149,139	(36,059)	25,190
<b>Total Community services</b>	<b>138,270</b>	<b>174,329</b>	<b>149,139</b>	<b>(36,059)</b>	<b>25,190</b>
<b>Pymts. To Other Gov't./Facilities Acquisition:</b>					
Facilities Acquisition	381,500	381,500	377,911	-	3,589
Prior Period Adjustment - Prior Period Revenues	-	-	-	-	-
<b>Total Pymts./Facilities Acquisition</b>	<b>381,500</b>	<b>381,500</b>	<b>377,911</b>	<b>-</b>	<b>3,589</b>
<b>TOTAL EXPENDITURES</b>	<b>28,894,775</b>	<b>28,616,647</b>	<b>28,118,827</b>	<b>278,128</b>	<b>497,820</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,494,250)</b>	<b>(337,526)</b>	<b>314,382</b>	<b>1,156,724</b>	<b>651,908</b>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	(460,445)	(310,445)	(308,932)	150,000	1,513
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(1,954,695)</b>	<b>(647,971)</b>	<b>5,450</b>	<b>1,306,724</b>	<b>653,421</b>
<b>FUND BALANCE, JULY 1</b>	<b>8,078,461</b>	<b>8,657,923</b>	<b>8,657,923</b>	<b>579,462</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 6,123,766</b>	<b>\$ 8,009,952</b>	<b>\$ 8,663,373</b>	<b>\$ 1,886,186</b>	<b>\$ 653,421</b>

**Marquette Area Public Schools  
Budgetary Comparison Schedule  
Athletic Fund  
For the Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES:</b>					
Local sources	\$ 198,093	\$ 304,481	\$ 277,342	\$ 106,388	\$ (27,139)
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Other governmental units	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>198,093</u>	<u>304,481</u>	<u>277,342</u>	<u>106,388</u>	<u>(27,139)</u>
<b>EXPENDITURES:</b>					
Supporting Services:					
Athletic Activities	475,338	581,726	553,074	(106,388)	28,652
<b>TOTAL EXPENDITURES</b>	<u>475,338</u>	<u>581,726</u>	<u>553,074</u>	<u>(106,388)</u>	<u>28,652</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(277,245)</u>	<u>(277,245)</u>	<u>(275,732)</u>	<u>-</u>	<u>1,513</u>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	277,245	277,245	275,732	-	1,513
Operating transfers out					
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JULY 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **OTHER SUPPLEMENTAL INFORMATION**

General Fund  
Balance Sheet  
June 30, 2006  
With Comparative Actual Amounts at June 30, 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Cash and equivalents	\$ 5,008,747	\$ 4,477,719
Investments	2,737,657	3,147,170
Accounts receivable	14,348	13,075
Due from other governmental units	3,927,624	3,771,469
Delinquent taxes receivable	33,539	79,889
Due from other funds	153	10,238
<b>TOTAL ASSETS</b>	<u>\$ 11,722,068</u>	<u>\$ 11,499,560</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 212,152	\$ 138,699
Accrued liabilities	2,557,262	2,544,237
Deferred revenue	58,954	42,965
Due to State of Michigan	223,590	113,746
Due to other funds	5,653	1,206
Other Liabilities	1,084	784
<b>TOTAL LIABILITIES</b>	<u>3,058,695</u>	<u>2,841,637</u>
<b>FUND EQUITY:</b>		
Fund balance:		
Designated for employee benefits	-	-
Designated for contingencies	3,000,000	3,000,000
Unreserved	5,663,373	5,657,923
<b>TOTAL FUND EQUITY</b>	<u>8,663,373</u>	<u>8,657,923</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 11,722,068</u>	<u>\$ 11,499,560</u>



Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>REVENUES:</b>				
Local Sources:				
Property tax levy	\$ 6,821,829	\$ 6,821,925	\$ 96	\$ 6,553,813
Penalty and interest on delinquent taxes	27,000	18,595	(8,405)	21,376
Tuition-Adult/Continuing Education Community School Enrichment	87,100	88,394	1,294	102,216
Rental of School facilities	62,950	61,342	(1,608)	63,569
Income from investments	364,500	405,664	41,164	208,755
Universal Service Fee	54,000	54,318	318	30,571
Field Trips	65,000	92,517	27,517	75,441
Driver's Education	-	-	-	25,654
Other local revenue	45,600	40,335	(5,265)	55,858
Local Grants	99,392	96,545	(2,847)	54,128
<b>TOTAL LOCAL SOURCES</b>	<b>7,627,371</b>	<b>7,679,635</b>	<b>52,264</b>	<b>7,191,381</b>
<b>State Sources:</b>				
Unrestricted:				
Proposal A Obligation	8,554,379	8,554,399	20	9,164,260
Discretionary Payment	7,360,399	7,360,399	-	6,945,414
Discretionary Payment - Alt. Ed.	360,146	360,146	-	411,514
State Aid Adjustment	175,000	172,821	(2,179)	(14,416)
Restricted:				
Durant	58,846	58,846	-	58,846
School Readiness	105,600	105,600	-	85,800
Special education - headlee obligation	1,372,894	1,372,894	-	1,179,692
Adult education	-	-	-	6,549
Advanced and Accelerated	-	-	-	500
Vocational education	95,917	95,917	-	101,288
Golden Apple	1,484	1,683	199	500
At Risk	357,544	357,706	162	345,319
Driver Education	-	-	-	5,135
Court Placed Children	1,075	1,075	-	5,234
<b>TOTAL STATE SOURCES</b>	<b>18,443,284</b>	<b>18,441,486</b>	<b>(1,798)</b>	<b>18,295,634</b>
<b>Federal sources:</b>				
Restricted:				
Title VII - Indian Education	45,196	45,196	-	47,171
Restricted - received through the state:				
E.I.C.I.A. Title I	425,324	421,567	(3,757)	500,494
E.I.C.I.A. Title II-A	181,309	180,534	(775)	199,711
E.I.C.I.A. Title II-D	7,603	7,494	(109)	11,660
E.I.C.I.A. Title V	1,577	1,448	(129)	2,209
CIMS - Monitoring	4,400	3,173	(1,227)	-
Safe and Drug Free Schools	8,522	8,522	-	-
Homeland Security	-	9,904	9,904	11,722
Restricted - received through the MAISD:				
Preschool	1,000	1,000	-	985
Flowthrough	155,848	154,109	(1,739)	245,107
Perkins	20,471	20,474	3	24,088
Autism	145	144	(1)	1,053
Drug Free Schools and Communities Grant	-	-	-	14,519
<b>TOTAL FEDERAL SOURCES</b>	<b>851,395</b>	<b>853,565</b>	<b>2,170</b>	<b>1,058,719</b>
<b>Incoming transfers and other transactions:</b>				
Tuition - other school districts			-	11,700
Marquette-Alger ISD:				
Special education	1,089,000	1,089,957	957	1,040,660
Medicaid Fee for Service	157,000	254,989	97,989	169,097
Durant	17,071	17,071	-	17,071
Proceeds from Sale of Capital Assets	1,500	427	(1,073)	5,085
Other Transactions	92,500	96,079	3,579	-
<b>TOTAL INCOMING TRANSFERS/OTHER TRANSACTIONS</b>	<b>1,357,071</b>	<b>1,458,523</b>	<b>101,452</b>	<b>1,243,613</b>
<b>TOTAL REVENUES</b>	<b>28,279,121</b>	<b>28,433,209</b>	<b>154,088</b>	<b>27,789,347</b>

Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

		2006		Variance		
		Budget	Actual	Favorable (Unfavorable)	2005	
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
<b>Elementary:</b>						
Salaries	\$	3,881,450	\$	3,848,236	\$	3,921,421
Fringe benefits		1,914,833		1,860,109		1,783,007
Purchased services		450		450		397
Purchased services - equipment/other		108,387		84,428		69,842
Supplies and materials		113,624		107,921		294,342
Capital outlay		-		480		60,830
<b>TOTAL ELEMENTARY</b>		<b>6,018,744</b>		<b>5,901,624</b>		<b>6,129,839</b>
<b>Middle School:</b>						
Salaries		1,787,862		1,782,727		1,806,637
Fringe benefits		968,992		913,668		886,593
Purchased services		-		-		36,558
Purchased services - equipment/other		72,050		64,858		-
Supplies and materials		44,045		41,359		45,776
Capital outlay		33,510		35,086		3,950
Other expenses		2,098		481		1,479
<b>TOTAL MIDDLE SCHOOL</b>		<b>2,908,557</b>		<b>2,838,179</b>		<b>2,780,993</b>
<b>High School:</b>						
Salaries		2,594,939		2,577,240		2,547,162
Fringe benefits		1,420,222		1,351,824		1,303,921
Purchased services		28,149		26,230		24,339
Purchased services - equipment/other		134,730		125,010		79,451
Supplies and materials		149,261		144,445		144,256
Capital outlay		56,632		52,537		32,003
Other expenses		1,550		730		1,534
<b>TOTAL HIGH SCHOOL</b>		<b>4,385,483</b>		<b>4,278,016</b>		<b>4,132,666</b>
<b>Pre-School:</b>						
Purchased services		102,432		102,424		85,800
<b>TOTAL PRE-SCHOOL</b>		<b>102,432</b>		<b>102,424</b>		<b>85,800</b>
<b>Special Education:</b>						
Salaries		1,773,276		1,746,780		1,718,536
Fringe benefits		1,226,618		1,244,227		1,149,889
Purchased services		6,300		691		1,364
Purchased services - equipment/other		10,551		11,270		7,380
Supplies and materials		15,203		10,336		21,041
Capital outlay		2,500		871		3,015
Other expenses		1,540		-		490
<b>TOTAL SPECIAL EDUCATION</b>		<b>3,035,988</b>		<b>3,014,175</b>		<b>2,901,714</b>
<b>Compensatory Education:</b>						
Salaries		269,172		269,688		384,670
Fringe benefits		131,561		131,627		164,869
Purchased services		9,150		9,258		12,293
Supplies and materials		5,071		3,172		5,571
Other expenses		600		1,398		1,233
<b>TOTAL COMPENSATORY EDUCATION</b>		<b>415,554</b>		<b>415,143</b>		<b>568,636</b>
<b>Career &amp; Technical Education:</b>						
Salaries		358,914		353,144		339,924
Fringe benefits		170,937		195,512		147,994
Purchased services		31,780		31,282		26,161
Purchased services - equipment/other		28,701		26,284		18,813
Supplies and materials		42,457		38,714		47,173
Capital outlay		-		3,417		5,682
<b>TOTAL CAREER &amp; TECHNICAL EDUCATION</b>		<b>632,789</b>		<b>648,353</b>		<b>585,747</b>

Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>Adult/Continuing Education:</b>				
Salaries	\$ 3,728	\$ 3,798	\$ (70)	\$ 17,187
Fringe benefits	394	734	(340)	3,303
Purchased services - equipment/other	2,850	2,052	798	1,249
Supplies and materials	1,000	1,348	(348)	1,870
Other expenses			-	415
<b>TOTAL ADULT/CONTINUING EDUCATION</b>	<b>7,972</b>	<b>7,932</b>	<b>40</b>	<b>24,023</b>
<b>TOTAL INSTRUCTION</b>	<b>17,507,519</b>	<b>17,205,846</b>	<b>301,673</b>	<b>17,209,418</b>
<b>Supporting Services:</b>				
<b>Pupil Services:</b>				
<b>Truancy/Absenteeism Services:</b>				
Salaries	33,755	34,526	(771)	33,604
Fringe benefits	32,130	32,002	128	30,872
<b>Guidance Services:</b>				
Salaries	452,113	448,076	4,037	444,148
Fringe benefits	227,141	223,127	4,014	218,005
Purchased services		552	(552)	
Supplies and materials	2,700	1,309	1,391	574
<b>Health Services:</b>				
Salaries	74,668	73,789	879	72,933
Fringe benefits	48,434	48,275	159	44,439
Purchased services	106,130	109,592	(3,462)	88,376
Purchased services - equipment/other	3,950	2,145	1,805	4,963
Supplies and materials	5,227	3,978	1,249	4,738
Capital outlay	900	-	900	-
<b>Psychological Services:</b>				
Salaries	117,963	117,963	-	114,113
Fringe benefits	59,493	59,293	200	54,547
Purchased services	2,000	598	1,402	654
Supplies and materials	5,000	4,085	915	3,165
<b>Speech Pathology and Audiology Services:</b>				
Salaries	330,220	327,598	2,622	337,460
Fringe benefits	161,711	169,188	(7,477)	145,878
Purchased services	599	608	(9)	572
Supplies and materials	1,400	1,121	279	693
<b>Social Work Services:</b>				
Salaries	68,878	68,761	117	67,527
Fringe benefits	32,520	32,371	149	29,746
Purchased services	1,250	802	448	1,154
Supplies and materials	500	230	270	234
<b>Teacher Consultant:</b>				
Salaries	242,909	241,661	1,248	271,463
Fringe benefits	119,002	110,855	8,147	126,801
Purchased services	10,000	3,992	6,008	5,167
<b>Other Pupil Support Services:</b>				
Salaries	30,094	28,194	1,900	26,945
Fringe benefits	18,169	16,370	1,799	11,442
Other			-	424
<b>TOTAL PUPIL SERVICES</b>	<b>2,188,856</b>	<b>2,161,061</b>	<b>27,795</b>	<b>2,140,640</b>
<b>Instructional Staff:</b>				
<b>Improvement of Instruction:</b>				
Salaries	125,272	125,437	(165)	28,043
Fringe benefits	37,225	37,078	147	6,391
Purchased services	40,338	38,505	1,833	51,456
Purchased services - equipment/other	18,938	19,729	(791)	10,906
Supplies and materials	22,641	18,986	3,655	17,845
Capital outlay	1,000	-	1,000	-
Other	107	107	-	517

Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>Educational Media Services:</b>				
Salaries	\$ 150,971	\$ 145,663	\$ 5,308	\$ 137,940
Fringe benefits	93,785	95,965	(2,180)	77,211
Purchased services - equipment/other	5,500	5,690	(190)	4,012
Supplies and materials	12,050	11,087	963	11,566
<b>Supervision/Direction of Instructional Staff:</b>				
Salaries	165,416	165,485	(69)	192,466
Fringe benefits	82,365	81,941	424	89,292
Purchased services	5,050	2,416	2,635	12,271
Supplies and materials	1,200	1,127	73	1,720
Other	3,168	3,176	(8)	
<b>Other Instructional Staff Services:</b>				
Salaries	810	500	310	1,157
Fringe benefits	194	120	74	261
<b>TOTAL INSTRUCTIONAL STAFF</b>	<b>766,030</b>	<b>753,012</b>	<b>13,018</b>	<b>643,053</b>
<b>General Administration:</b>				
<b>Board of Education:</b>				
Salaries	7,000	5,730	1,270	5,280
Employee benefits	15,455	17,187	(1,732)	8,251
Purchased services	20,000	15,143	4,857	16,049
Purchased services - equipment/other	14,000	13,994	6	1,930
Supplies and materials	6,000	4,783	1,217	5,901
Other expenses	15,386	14,929	457	14,110
<b>Executive Administration:</b>				
Salaries	284,464	284,312	152	278,386
Fringe benefits	131,059	127,421	3,638	124,413
Purchased services	35,500	31,730	3,770	37,363
Purchased services - equipment/other	31,262	22,320	8,942	32,457
Supplies and materials	19,514	11,682	7,832	15,815
Capital outlay	-	5,906	(5,906)	3,779
Other expenses	10,598		10,598	6,684
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>590,238</b>	<b>555,137</b>	<b>35,101</b>	<b>550,418</b>
<b>School Administration:</b>				
<b>Office of Principal:</b>				
Salaries	1,017,280	1,018,541	(1,261)	946,431
Fringe benefits	520,112	518,560	1,552	462,312
Purchased services	5,000	2,957	2,043	82,471
Supplies and materials	8,262	8,268	(6)	10,030
Capital Outlay	-	2,523	(2,523)	-
Other expenses	8,348	6,185	2,163	7,886
<b>TOTAL SCHOOL ADMINISTRATION</b>	<b>1,559,002</b>	<b>1,557,034</b>	<b>1,968</b>	<b>1,509,131</b>
<b>Business Services:</b>				
<b>Fiscal Services:</b>				
Salaries	176,514	176,958	(444)	170,978
Fringe benefits	82,241	80,518	1,723	70,779
Purchased services	8,500	2,476	6,024	4,981
Supplies and materials	6,000	5,337	663	4,780
Capital Outlay	-	2,611	(2,611)	1,848
<b>Other Business Services:</b>				
Purchased services	20,000	18,792	1,208	22,001
Supplies and materials	-	-	-	(54)
Other expenses	7,200	6,077	1,123	
<b>TOTAL BUSINESS SERVICES</b>	<b>300,455</b>	<b>292,769</b>	<b>7,686</b>	<b>275,313</b>
<b>Operations and Maintenance:</b>				
Salaries	832,875	803,212	29,664	785,197
Fringe benefits	543,978	560,093	(16,115)	514,437
Purchased services	277,333	273,316	4,017	274,899
Purchased services - equipment/other	291,109	293,306	(2,197)	202,342
Supplies and materials	940,174	902,023	38,151	848,814
Capital outlay	2,215	1,931	284	11,899
Other expenses	-	-	-	2,780

Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>Security Services</b>				
Salaries	\$ 2,200	\$ 2,121	\$ 79	\$ 7,866
Fringe benefits	520	502	18	1,607
Purchased services	-	306	(306)	1,036
Supplies and materials	-	9,598	(9,598)	1,214
<b>TOTAL OPERATIONS AND MAINTENANCE</b>	<b>2,890,404</b>	<b>2,846,408</b>	<b>43,996</b>	<b>2,652,092</b>
<b>Pupil Transportation Services:</b>				
Salaries	585,253	575,928	9,325	579,080
Fringe benefits	418,397	433,530	(15,133)	431,674
Purchased services	36,700	37,497	(797)	24,057
Purchased services - equipment/other	100,013	98,388	1,625	58,933
Supplies and materials	210,000	199,802	10,198	154,566
Capital outlay	-	-	-	10,492
Other expenses	900	789	111	2,280
<b>TOTAL PUPIL TRANSPORTATION SERVICES</b>	<b>1,351,263</b>	<b>1,345,934</b>	<b>5,329</b>	<b>1,261,081</b>
<b>Central Staff:</b>				
<b>Planning:</b>				
Purchased services	2,000	1,988	12	6,307
Other	355	355	-	4,339
<b>Communication Services:</b>				
Purchased services	2,000	912	1,088	1,878
<b>Staff/Personnel Services:</b>				
Salaries	96,552	97,004	(452)	95,659
Fringe benefits	54,461	54,124	337	50,842
Purchased services	27,500	19,060	8,440	50,471
Purchased services - equipment/other	10,000	11,080	(1,080)	-
Supplies and materials	3,650	3,315	335	1,412
Capital outlay	650	650	-	-
Other	645	555	90	603
<b>Support Services Technology:</b>				
Salaries	170,733	168,537	2,196	222,013
Fringe benefits	95,243	95,277	(34)	126,820
Purchased services	205,132	198,224	6,908	197,530
Purchased services - equipment/other	32,235	35,180	(2,945)	26,339
Supplies and materials	27,500	16,234	11,266	41,829
Capital outlay	32,000	31,475	525	62,637
<b>Pupil Accounting:</b>				
Salaries	22,872	22,651	221	22,151
Fringe benefits	13,395	13,139	256	12,371
Purchased services	1,100	159	941	1,072
Supplies and materials	250	230	21	-
<b>TOTAL CENTRAL STAFF</b>	<b>798,273</b>	<b>770,149</b>	<b>28,124</b>	<b>924,271</b>
<b>Other Support Services</b>				
<b>Pupil Activities:</b>				
Salaries	88,008	85,329	2,679	88,577
Fringe benefits	20,770	20,598	172	20,065
Other	-	(1,500)	1,500	-
<b>TOTAL OTHER SUPPORT SERVICES</b>	<b>108,778</b>	<b>104,427</b>	<b>4,351</b>	<b>108,642</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>10,553,299</b>	<b>10,385,931</b>	<b>167,368</b>	<b>10,064,641</b>
<b>Community Services:</b>				
<b>Community Recreation</b>				
Salaries	63,872	60,952	2,920	44,340
Fringe benefits	23,224	19,823	3,401	8,596
Purchased services	8,050	8,074	(24)	7,573
Purchased services - equipment/other	4,000	3,914	86	2,682
Supplies and materials	2,100	1,548	553	1,984
Other expenses	4,000	3,144	856	2,210

Marquette Area Public Schools  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>Community Activities:</b>				
Salaries	\$ 26,000	\$ 22,333	\$ 3,667	\$ 23,235
Fringe benefits	6,800	5,412	1,388	5,553
Purchased services	1,000	300	700	360
Purchased services - equipment/other	11,500	8,029	3,471	910
Supplies and materials	10,540	6,424	4,116	6,024
Other expenses	1,800	900	900	
<b>Non-Public School Pupils:</b>				
Salaries	4,470	4,470	-	5,774
Fringe benefits	1,421	1,265	156	1,705
Purchased services	-	1,080	(1,080)	
Supplies and materials	5,552	1,471	4,081	2,780
<b>TOTAL COMMUNITY SERVICES</b>	<u>174,329</u>	<u>149,139</u>	<u>25,191</u>	<u>113,726</u>
<b>Pymts. To Other Gov't/Facilities Acquisition:</b>				
<b>Facilities Acquisition:</b>				
Capital outlay	381,500	377,911	3,589	337,694
Prior Period Adjustment - Prior Period Revenues			-	124,183
<b>TOTAL FACILITIES ACQUISITION</b>	<u>381,500</u>	<u>377,911</u>	<u>3,589</u>	<u>461,877</u>
<b>TOTAL EXPENDITURES</b>	<u>28,616,647</u>	<u>28,118,827</u>	<u>497,820</u>	<u>27,849,661</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(337,526)</u>	<u>314,382</u>	<u>651,908</u>	<u>(60,315)</u>
<b>Other Financing Sources (Uses):</b>				
<b>Operating Transfers Out:</b>				
Athletic Fund	277,245	275,732	1,513	(223,139)
Capital Projects Fund	33,200	33,200	-	(33,200)
Internal Service Fund			-	(1,389,714)
<b>TOTAL OPERATING TRANSFERS</b>	<u>310,445</u>	<u>308,932</u>	<u>1,513</u>	<u>(1,646,053)</u>
<b>EXCESS REVENUES (EXPENDITURES) AND OTHER FINANCING USES</b>	<u>\$ (647,971)</u>	<u>\$ 5,450</u>	<u>\$ 653,421</u>	<u>\$ (1,706,368)</u>
<b>FUND BALANCE, JULY 1</b>		<u>8,657,923</u>		<u>10,364,291</u>
Residual equity transfers		-		-
<b>FUND BALANCE, JUNE 30</b>		<u>\$ 8,663,373</u>		<u>\$ 8,657,923</u>

Marquette Area Public Schools  
Athletic Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>REVENUES:</b>				
Athletic activities	\$ 304,481	\$ 277,342	\$ (27,139)	\$ 274,539
Other revenues			-	
<b>TOTAL REVENUES</b>	<u>304,481</u>	<u>277,342</u>	<u>(27,139)</u>	<u>274,539</u>
<b>EXPENDITURES:</b>				
Athletic activities:				
Professional salaries	68,204	68,204	-	67,529
Non professional salaries	173,485	177,092	(3,607)	159,357
Insurance	17,000	18,549	(1,549)	14,550
FICA, retirement, etc.	53,357	55,673	(2,316)	46,887
Purchased services	65,103	66,171	(1,068)	73,812
Supplies and materials	111,305	74,937	36,368	88,005
Capital outlay	22,675	39,382	(16,707)	15,403
Other	70,597	53,066	17,531	32,134
<b>TOTAL EXPENDITURES</b>	<u>581,726</u>	<u>553,074</u>	<u>28,652</u>	<u>497,677</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (277,245)</u>	<u>(275,732)</u>	<u>\$ (1,513)</u>	<u>(223,138)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	<u>277,245</u>	<u>275,732</u>	<u>1,513</u>	<u>223,138</u>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE, JULY 1</b>		<u>-</u>		<u>-</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ -</u>		<u>\$ -</u>

**Marquette Area Public Schools  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2006**

	Lunch Fund	Debt Service	Capital Projects	Total
<b>ASSETS:</b>				
Cash and equivalents	\$ 115,120	\$ 258,629		\$ 373,749
Investments	-	-	887,829	887,829
Accounts receivable	468	2,732		3,200
Due from others	49,813	-		49,813
Due from other funds	1,885	-	3,769	5,654
Inventories	5,408	-		5,408
<b>TOTAL ASSETS</b>	<b>\$ 172,694</b>	<b>\$ 261,361</b>	<b>\$ 891,598</b>	<b>\$ 1,325,653</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,809	\$ -	\$ -	\$ 3,809
Due to other funds	-	-	-	-
Due to others	55	14,532	-	14,587
Accrued liabilities	6,298	-	-	6,298
<b>TOTAL LIABILITIES</b>	<b>10,162</b>	<b>14,532</b>	<b>-</b>	<b>24,694</b>
<b>FUND BALANCES:</b>				
Reserved for:				
School lunch	162,532			162,532
Debt retirement		246,829		246,829
Capital projects			891,598	891,598
Unreserved				-
<b>TOTAL FUND BALANCES</b>	<b>162,532</b>	<b>246,829</b>	<b>891,598</b>	<b>1,300,959</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 172,694</b>	<b>\$ 261,361</b>	<b>\$ 891,598</b>	<b>\$ 1,325,653</b>



**Marquette Area Public Schools  
Nonmajor Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006**

	School Lunch	Debt Retirement	Capital Projects	Total
<b>REVENUES:</b>				
Federal sources	\$ 318,469	\$ -	\$ -	\$ 318,469
State aid	41,609	-	-	41,609
Taxes & penalties	-	1,254,973	-	1,254,973
School lunch activities	478,291	-	-	478,291
Athletic activities	-	-	-	-
Interest	6,263	27,213	31,566	65,042
Sale of fixed assets	-	-	-	-
Other	301	3,864	10,000	14,165
<b>TOTAL REVENUES</b>	<b>844,933</b>	<b>1,286,050</b>	<b>41,566</b>	<b>2,172,549</b>
<b>EXPENDITURES:</b>				
School lunch activities	843,550	-	-	843,550
Athletic activities	-	-	-	-
Debt service payments - Principal	-	853,484	-	853,484
Debt service payments - Interest	-	365,634	-	365,634
Other	-	3,887	9,300	13,187
<b>TOTAL EXPENDITURES</b>	<b>843,550</b>	<b>1,223,005</b>	<b>9,300</b>	<b>2,075,855</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,383</b>	<b>63,045</b>	<b>32,266</b>	<b>96,694</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	33,200	33,200
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,383</b>	<b>63,045</b>	<b>65,466</b>	<b>129,894</b>
Fund Balance, July 1	161,149	183,784	826,132	1,171,065
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 162,532</b>	<b>\$ 246,829</b>	<b>\$ 891,598</b>	<b>\$ 1,300,959</b>

Marquette Area Public Schools  
School Lunch Fund  
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With Comparative Actual Amounts for the Year Ended June 30, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
<b>REVENUES:</b>				
Federal sources	\$ 292,000	\$ 318,469	\$ 26,469	\$ 301,785
State aid	48,000	41,609	(6,391)	41,327
School lunch activities	480,500	478,291	(2,209)	490,322
Interest	4,500	6,263	1,763	2,710
Other revenues	400	301	(99)	428
<b>TOTAL REVENUES</b>	<u>825,400</u>	<u>844,933</u>	<u>19,533</u>	<u>836,572</u>
<b>EXPENDITURES:</b>				
School lunch activities:				
Professional salaries	33,013	31,768	1,245	33,931
Non professional salaries	201,298	186,537	14,761	197,641
Insurance	98,620	97,986	634	92,599
FICA, retirement, etc.	57,571	52,810	4,761	60,971
Purchased services	14,538	15,985	(1,447)	9,631
Supplies and materials	437,895	420,076	17,819	406,650
Capital outlay	34,820	34,343	477	2,326
Other	4,450	4,045	405	3,859
<b>TOTAL EXPENDITURES</b>	<u>882,205</u>	<u>843,550</u>	<u>38,655</u>	<u>807,608</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (56,805)</u>	<u>1,383</u>	<u>\$ 58,188</u>	<u>28,964</u>
FUND BALANCE, JULY 1		<u>161,149</u>		<u>132,185</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ 162,532</u>		<u>\$ 161,149</u>

Marquette Area Public Schools  
Debt Service Fund  
Balance Sheet  
June 30, 2006  
With comparative amounts at June 30, 2005

	<u>2006</u>	<u>2005</u>
<b>Assets:</b>		
Cash & Investments	\$ 258,629	\$ 174,318
Delinquent property taxes	2,732	8,260
Due from other funds	<u>          </u>	<u>1,206</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 261,361</u></u>	<u><u>\$ 183,784</u></u>
<b>Liabilities:</b>		
Due to other governmental units	<u>\$ 14,532</u>	<u>\$ -</u>
<b>FUND EQUITY:</b>		
Fund Balance:		
Reserved for debt retirement	<u>246,829</u>	<u>183,784</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 261,361</u></u>	<u><u>\$ 183,784</u></u>

Marquette Area Public Schools  
Debt Service Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2006  
With comparative actual amounts for the year ended June 20, 2005

	2006		Variance	
	Budget	Actual	Favorable (Unfavorable)	2005
<b>Revenues:</b>				
State aid-restricted	\$ 41,324	\$ 41,323	\$ 1	\$ -
Taxes and penalties	1,227,484	1,226,509	(975)	1,165,324
Interest	26,500	27,213	713	10,280
Prior period revenue adjustment		(12,859)	(12,859)	32,837
Other	2,000	3,864	1,864	3,358
<b>TOTAL REVENUES</b>	<u>1,297,308</u>	<u>1,286,050</u>	<u>(11,258)</u>	<u>1,211,799</u>
<b>Expenditures:</b>				
Debt service-principal payments	853,484	853,484	-	770,000
Debt service-interest and agent fees	365,634	365,634	-	368,444
Other	5,800	3,887	1,913	5,141
<b>TOTAL EXPENDITURES</b>	<u>1,224,918</u>	<u>1,223,005</u>	<u>1,913</u>	<u>1,143,585</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 72,390</u>	<u>63,045</u>	<u>\$ (9,345)</u>	<u>68,214</u>
<b>FUND BALANCE, JULY 1</b>		<u>183,784</u>		<u>115,570</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ 246,829</u>		<u>\$ 183,784</u>

Marquette Area Public Schools  
Capital Projects Fund  
Balance Sheet  
June 30, 2006  
With comparative amounts at June 30, 2005

	<u>2006</u>	<u>2005</u>
<b>Assets:</b>		
Investments	\$ 887,829	\$ 831,772
Due from Other Funds	<u>3,769</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 891,598</u></u>	<u><u>\$ 831,772</u></u>
<b>Liabilities:</b>		
Accounts payable		\$ 5,640
Due to other funds	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>	<u><u>5,640</u></u>
<b>Fund Equity:</b>		
<b>Fund Balance:</b>		
Reserved for capital projects	<u>891,598</u>	<u>826,132</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 891,598</u></u>	<u><u>\$ 831,772</u></u>

Marquette Area Public Schools  
Capital Projects Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006  
With comparative amounts at June 30, 2005

	2006		Variance Favorable (Unfavorable)	2005
	Budget	Actual		
<b>REVENUES:</b>				
Interest	\$ 30,000	\$ 31,566	\$ 1,566	\$ 16,656
Contributions	10,000	10,000	-	42,270
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<u>40,000</u>	<u>41,566</u>	<u>1,566</u>	<u>58,926</u>
<b>EXPENDITURES:</b>				
Other Expenditures		800	(800)	15,000
Capital outlay	9,400	8,500	900	370,179
<b>TOTAL EXPENDITURES</b>	<u>9,400</u>	<u>9,300</u>	<u>100</u>	<u>385,179</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>30,600</u>	<u>32,266</u>	<u>1,666</u>	<u>(326,253)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	33,200	33,200	-	33,200
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>63,800</u>	<u>65,466</u>	<u>(1,666)</u>	<u>(293,053)</u>
<b>FUND BALANCE, JULY 1</b>		<u>826,132</u>		<u>1,119,185</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ 891,598</u>		<u>\$ 826,132</u>

Marquette Area Public Schools  
Student Activity Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2006

	Balance July 1	Additions	Deductions	Balance June 30
<b>ASSETS:</b>				
Cash and equivalents	\$ 323,162	\$ 419,536	\$ 423,727	\$ 318,971
Accounts receivable	-	484	-	484
<b>TOTAL ASSETS</b>	<u>\$ 323,162</u>	<u>\$ 420,020</u>	<u>\$ 423,727</u>	<u>\$ 319,455</u>
<b>LIABILITIES:</b>				
Due to other funds	\$ 2,845	\$ 80	\$ 2,845	\$ 80
Accounts payable	556	420,559	417,924	3,191
Due to other governmental units	-	883	771	112
Due to groups, organizations and activities	319,761	416,989	420,678	316,072
<b>TOTAL LIABILITIES</b>	<u>\$ 323,162</u>	<u>\$ 838,511</u>	<u>\$ 842,218</u>	<u>\$ 319,455</u>

**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2006**

	<u>Balance</u> <u>June 30, 2005</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2006</u>
ABC Conference	\$ 210	\$ -	\$ -	\$ 210
ACAD Ed Support	1,924	-	1,924	-
Advanced Placement	4,664	13,350	13,710	4,304
Athletics	-	550	239	311
Band Fund	1,525	12,779	11,842	2,462
Band Fund-Bothwell	3,530	4,028	2,691	4,867
Bay Cliff - 5th Grade	47	17,514	15,401	2,160
Big Foot Snowshoe	159	-	-	159
BPA	5,553	1,387	630	6,310
Board Flower fund	47	140	100	87
Bothwell Extracurricular Activities	3,329	3,158	3,338	3,149
Bothwell Junior Honor Society	1,944	459	1,169	1,234
Bothwell School Camp	35,416	70,494	67,697	38,213
Bothwell Sports	2,307	16,781	13,743	5,345
Bothwell Student Benevolence	596	-	-	596
Bus Garage	896	630	967	559
Carnegie Hall	32	-	29	3
Choral Fund	6,302	62,277	68,447	132
Choral Fund	848	2,311	2,255	904
Class of 1991	472	-	-	472
Class of 1995	260	-	-	260
Class of 1996	1,400	-	-	1,400
Class of 1998	1,186	-	-	1,186
Class of 1999	4,134	-	-	4,134
Class of 2000	144	-	-	144
Class of 2001	500	-	-	500
Class of 2002	5	-	-	5
Class of 2003	7,209	-	6,000	1,209
Class of 2004	1,218	-	-	1,218
Class of 2005	7,645	-	7,600	45
Class of 2006	1,790	7,068	5,108	3,750
Class of 2007	1,242	12,054	7,812	5,484
Class of 2008	909	1,025	966	968
Class of 2009	-	1,130	550	580
CEU-SB	346	-	-	346
Drama Fund	7,111	-	-	7,111
Expanding Possibilities	8,561	6,700	8,731	6,530
Forensic Club	929	7,476	8,405	-
French Club	-	25,126	24,489	637
Friends of Kaufman	3,825	-	-	3,825
Functional Skills Feliz	274	1,357	1,275	356
Functional Skills Cotter	421	50	-	471
German Account	221	-	-	221
Giving Tree	-	245	195	50
Great Lakes Conference	60	1,278	538	800
Guidance Special Needs	472	-	100	372



**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2006**

	Balance June 30, 2005	Receipts	Disbursements	Balance June 30, 2006
Health Occupation	\$ 791	\$ 3,909	\$ 3,074	\$ 1,626
High School Bowl	373	-	145	228
High School Office Vending	416	1,009	1,214	211
Hurricane Katrina	-	5,888	5,888	-
Industrial Arts	1,050	-	497	553
Interact High School	64	-	-	64
Interest	44,223	19,056	2,402	60,877
Intramural Basketball	800	1,400	1,400	800
Jazz Club	36	1,390	1,341	85
K-12 Music	5,371	3,790	461	8,700
Kaufman Incentive	3,209	2,000	3,190	2,019
Kaufman Incentive	3,133	5,623	3,501	5,255
Kaufman Lyceum	5,009	-	2,961	2,048
Kids for Change	355	232	191	396
Library Club	657	2,109	1,675	1,091
Library Club	259	321	273	307
Life Skills	409	-	-	409
Locks PE & Athletics	291	63	243	111
Lounge Fund-High School	249	-	-	249
Lounge Fund-Bothwell	1,181	855	538	1,498
MSHS Ink	1,087	20	534	573
Miscellaneous	858	-	-	858
MSHS Orchestra	8,420	6,214	6,316	8,318
MSHS Sunshine Committee	377	260	211	426
Musical Fund	4,542	12,438	12,223	4,757
National Honor Society	8,092	1,470	863	8,699
Observer	585	-	-	585
Office	6,155	2,338	1,344	7,149
OM Support	375	-	-	375
Parent Training-Sandy Knoll	310	-	-	310
Peer Mentoring Program	371	-	-	371
Photography Club	1,380	-	-	1,380
Pre-Voc	32	-	6	26
Records Account-MSHS	10,152	1,782	762	11,172
Recreation-Field Trips-Alt. Ed.	244	590	573	261
Renaissance	3,722	4,873	4,125	4,470
Rotary	41	-	-	41
SADD	5	-	-	5
Save the Children - Tsunami	-	1,997	1,997	-
Scholarship Fund - Bothwell	1,260	1,589	-	2,849
Science Olympiad	242	-	-	242
Spanish Club	74	-	-	74
Spec Ed Assistive Tech	2,065	-	-	2,065
SSR Reading	640	-	-	640
Stadium Project	62	-	-	62
Student Council-MSHS	9,715	9,305	5,683	13,337
Student Council-Bothwell	555	3,297	2,679	1,173

**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2006**

	Balance June 30, 2005	Receipts	Disbursements	Balance June 30, 2006
Student Activity-Gravereat MS	\$ 234	\$ -	\$ -	\$ 234
Student Activity-Vandenboom	30	-	-	30
Student Activity-Bothwell	(36)	78	-	42
Student Activity-Cherry Creek	260	-	-	260
Student Activity 5th Grade	119	-	-	119
Student Activity 6th Grade	(37)	1,104	1,067	-
Student Activity BMS	-	179	128	51
Student Activity 8th Grade	803	252	285	770
Student Activity-At Risk	427	-	-	427
Student Activity-Superior Hills	343	-	-	343
Student Welfare Fund	6,775	-	-	6,775
Tatler	51,808	40,600	62,851	29,557
Teen Leadership	55	-	-	55
Therapeutic Swimming Program	3,539	-	2,150	1,389
UP Dyslexia Outreach	2,032	-	-	2,032
UP Reading Association	760	-	-	760
Yearbook	1,557	8,927	8,750	1,734
Yearbook	-	20	-	20
Video Club	2,192	2,644	3,186	1,650
Total	<u>\$ 319,761</u>	<u>\$ 416,989</u>	<u>\$ 420,678</u>	<u>\$ 316,072</u>

## COMPLIANCE SECTION



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools as of and for the year ended June 30, 2006, which collectively comprise the Marquette Area Public Schools basic financial statements and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette Area Public Schools internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette Area Public Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 18, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

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MILWAUKEE

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

#### Compliance

We have audited the compliance of Marquette Area Public School's with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Marquette Area Public School's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette Area Public School's management. Our responsibility is to express an opinion on Marquette Area Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Area Public Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette Area Public School's compliance with those requirements.

In our opinion, Marquette Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Marquette Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette Area Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education  
Marquette Area Public Schools

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 18, 2006

**MARQUETTE AREA PUBLIC SCHOOLS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

Federal CFDA Number	Federal Grantor Pass Through Grantor Program Title Grant Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2005	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2006
84.060		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
84.060		45,196	-	-	45,196	31,214	13,982
84.060		47,171	47,171	1,393	-	1,393	-
<b>TOTAL DIRECT</b>		92,367	47,171	1,393	45,196	32,607	13,982
84.010		43,171	-	-	43,171	32,988	10,183
84.010		407,534	-	-	371,412	292,958	78,454
84.010		467,201	42,802	-	-	-	-
84.010		49,053	49,053	10,281	-	10,281	-
84.010		415,623	408,639	69,995	6,984	76,979	-
<b>TOTAL</b>		1,382,582	500,494	80,276	421,567	413,206	88,637
84.367		27,964	-	-	27,964	15,531	12,433
84.367		193,345	-	-	152,570	115,598	36,972
84.367		-	-	188	-	188	-
84.367		199,424	32,247	-	-	-	-
84.367		167,653	167,464	8,810	-	8,810	-
84.027A		4,400	-	-	3,172	-	3,172
84.298		-	-	-	-	-	-
84.318		7,603	-	-	7,494	4,056	3,438
84.318		-	-	-	-	-	-
84.318		11,660	11,660	1,892	-	1,892	-

U.S. Department of Education:  
Direct Program:  
P.L. 92-318 Indian Education, Title VII, Part A:  
E-S060A020067  
B-060A050067  
E-S060A040067

Passed through Mich. Department of Education:

ECIA Title I:  
051530 0506  
061503 0504  
041530 0304  
041530 0405  
051530 0405

ECIA Title IIA:  
050520 0506  
060520 0506  
030520 0304  
040520 0304  
050520 0405  
Handicapped Preschool & School Program  
060440/SPSR  
ECIA Title VI:  
020250 0102  
ECIA Title IID:  
064290 0506  
044290 0304  
054290 0405

Federal Grantor  
Pass Through Grantor  
Program Title Grant Number

ECIA Title V:

040250 0304

050250 0405

TOTAL

TOTAL PASSED THROUGH MDE

Passed Through Marquette-Alger Regional

Educational Services Agency (MARESA):

Safe & Drug Free Schools 042860 0304

Safe & Drug Free Schools 062860 0506

Safe & Drug Free Schools 052860 0405

TOTAL

P.L. 94-192 Flow Through - #060450 0506

P.L. 94-192 Flow Through - #050450 0405

TOTAL

Goals 2000

TOTAL

Homeless

Preschool #050460-0405

Preschool #040460-0304

Autism (UP CARES) #060490-3D51

Autism (UP CARES) #050490-1D20

TOTAL

Abstinence Partnership

Abstinence Partnership

TOTAL

Perkins - 05-06 6012-02

Perkins - 04-05 5012-02

TOTAL

LEA Medicaid FFS-Transportation

TOTAL

TOTAL PASSED THROUGH MARESA

TOTAL U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2005	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2006
84.298	\$ 1,577	\$ -	\$ -	\$ 1,448	\$ 1,321	\$ 127
84.298	2,209	2,209	-	-	-	-
	615,835	213,580	10,890	192,648	147,396	56,142
	1,998,417	714,074	91,166	614,215	560,602	144,779
84.186	9,771	5,488	-	-	-	-
84.186	8,522	-	-	8,522	8,522	-
84.186	9,076	9,076	-	-	-	-
	27,369	14,564	-	8,522	8,522	-
84.027	154,109	-	-	154,109	116,651	37,458
84.027	247,435	245,107	38,470	-	38,470	-
	401,544	245,107	38,470	154,109	155,121	37,458
84.276	-	-	-	-	-	-
	-	-	-	-	-	-
84.196	-	-	-	-	-	-
84.173	-	-	-	1,000	1,000	-
84.173	1,000	985	-	-	-	-
84.027	144	-	-	144	144	-
84.027	1,053	1,053	1,053	-	1,053	-
	2,197	2,038	1,053	1,144	2,197	-
92.235	-	-	-	-	-	-
92.235	-	-	-	-	-	-
	-	-	-	-	-	-
84.048	20,474	-	-	20,474	20,474	-
84.048	24,088	24,088	24,088	-	24,088	-
	44,562	24,088	24,088	20,474	44,562	-
93.778	6,586	7,328	-	6,586	6,586	-
	6,586	7,328	-	6,586	6,586	-
	482,258	293,125	63,611	190,835	216,988	37,458
	2,573,042	1,054,370	156,170	850,246	810,197	196,219



Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2005	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2006
Passed through Michigan State Police: Homeland Security Grant Program Part II-School Initiative	97.004	\$ 11,722	\$ 11,722	\$ -	\$ 9,904	\$ 9,904	\$ -
TOTAL		11,722	11,722	-	9,904	9,904	-
TOTAL PASSED THROUGH MICHIGAN STATE POLICE		11,722	11,722	-	9,904	9,904	-
U.S. Department of Agriculture: Nutrition Cluster: Passed through MDE: National School Lunch Program: Section 4 -Total Serving 1957 & 1958 Section 11 - Free and Reduced 1967 & 1968	10.555 10.555	63,146 185,969	61,628 170,359	- -	63,146 185,969	63,146 145,385	- 40,584
TOTAL		249,115	231,987	-	249,115	208,531	40,584
National School Breakfast Program: Breakfast 1977 & 1978	10.553	20,946	20,521	-	20,946	20,946	-
TOTAL		20,946	20,521	-	20,946	20,946	-
Total Nutrition Cluster		270,061	252,508	-	270,061	229,477	40,584
Food Distribution: Entitlement Commodities Bonus Commodities	10.550 10.550	41,737 6,287	42,990 6,287	- -	41,737 3,718	41,737 3,718	- -
TOTAL		48,024	49,277	-	45,455	45,455	40,584
TOTAL U.S. DEPARTMENT OF AGRICULTURE		318,085	301,785	-	315,516	274,932	81,168
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 2,902,849	\$ 1,367,877	\$ 156,170	\$ 1,175,666	\$ 1,095,033	\$ 277,387

MARQUETTE AREA PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2006

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – STATE GRANTS:**

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2006 and are not included on the Schedule of Federal Awards.

Description	Project Number	State Expenditures
School Breakfast	056320M-24	<u>\$2,952</u>

**NOTE D – FINAL COST REPORT - FORM DS4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per R7120		\$833,617
Add - payments not on R7120:		
Direct programs	\$55,100	
Passed through other Districts/Others	190,835	
Bonus and entitlement commodities	45,455	<u>291,390</u>
Less – deferred revenue at the beginning of year– MDE	(91,166)	
Add – deferred revenue at the end of year– MDE	144,779	<u>53,613</u>
Less – State Grants reported on R7120:		
School Breakfast		(2,952)
Less – rounding		<u>(2)</u>
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$1,175,666</u>

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**  
**(Continued):**

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements	\$1,172,034
Less:	
Rounding	(2)
School Breakfast— non federal	6,586
LEA – Medicaid Fee for service from MARESA	(2,952)
<b>TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS</b>	<b>\$1,175,666</b>

MARQUETTE AREA PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Marquette Area Public Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Marquette Area Public Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Marquette Area Public Schools expresses an unqualified opinion
6. No audit findings relative to the major federal award program for Marquette Area Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

ECIA Title II A	CFDA# 84.367
PL 94-192 Flowthrough	CFDA# 84.027
Handicapped Preschool	CFDA # 84.027
Autism	CFDA # 84.027
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Area Public Schools was determined to be a lowrisk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

MARQUETTE AREA PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year June 30, 2006

REPORTABLE CONDITIONS – FINANCIAL STATEMENT AUDIT

NONE



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

August 18, 2006

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

We have audited the basic financial statements of the Marquette Area Public Schools for the year ended June 30, 2006, and have issued our report thereon dated August 18, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 29, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Marquette Area Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Marquette Area Public Schools are described in Footnote A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2006. We noted no transactions entered into by the Marquette Area Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Marquette Area Public Schools' financial reporting process (that is, cause future financial statements to

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Marquette Area Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Marquette Area Public Schools' financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Marquette Area Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Conclusion**

This information is intended solely for the use of the Marquette Area Public Schools Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants